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# VARIETY

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## GET READY FOR PIRACY.COM

### Cyber-thieves disrupting pic release patterns

By MARC GRASER and PAUL SWEETING

**I**n the World Series of movies, the pirates are winning. And the industry may never be the same.

Vastly improved digital camcorders are enabling a new crop of criminals to

tape the onscreen action in theaters and create quality bootleg films to sell on public street corners or on the Internet.

And the DVD — though studios and industry groups hailed it

as the "next big thing" for home entertainment — is beginning to show its more dangerous side: Popular U.S. releases can be bought online by a viewer in Europe or Asia, long before the title hits those shores in theaters, let alone homevid.

Currently, it's possible (but not easy)

to find a handful of film titles, such as "American Pie" and "The Matrix," on the Web. But by next year, some 30 million PCs in the U.S. are expected to be equipped with DVD-ROM drives. The new hardware can play any DVD disc, enabling would-be pirates to start posting movies on the Web.

With DVD hitting critical mass, e-commerce estimated to be netting \$35 billion by 2003, and with 10 million U.S. homes expected to have high-speed Internet access by the end of next year — meaning feature-length

pics can be downloaded in 15 minutes — the MPAA is bracing for an "avalanche" of "Net piracy" via digital delivery, says the org's proxy Jack Valenti.

DVDs, unlike videocassettes, have a standard format around the world. The multi-language soundtracks many studios put on DVDs only add to their appeal outside the U.S.

Hollywood film and homevid execs are predicting that DVD and emerging forms of digital delivery will soon force the ma-

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— producer Jim Pollock

jors to schedule global day-and-date openings of a film to combat piracy and e-commerce on the 'Net.

"If this phase of sophisticated piracy cannot be curbed — and I don't know how it can — and movies become instantly available on the Internet, it will fundamentally change the economics of the industry," says Tom Pollock, producer and former CEO of Universal Studios.

"And if the economics change, so will the content. We will have virtually simultaneous worldwide day-and-date releases

around the world, which will make present-day high marketing costs seem but a fond memory. Also, it will dramatically shorten the window between theatrical release and whatever new forms of home delivery will be afforded by immediate Internet streaming."

Digitally enabled piracy comes in several flavors. The most common is the anonymous sale of bootleg cassettes and discs over the Internet. (Those bootlegs are dubs of tapes made with digital camcorders in movie theaters or are struck from stolen prints.)

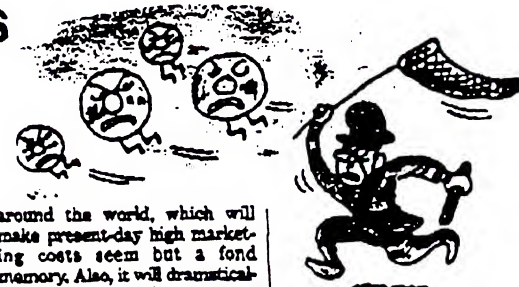
In fact, prints of such pics as Disney's "Toy Story 2" and Paramount's "Sleepy Hollow" were recently advertised for

sale online, months before either pic's U.S. bow.

Another flavor is simply an update of the long-standing problem of illegal dupes of legit cassettes and discs. But antipiracy cops say the problem will worsen, because every digital dupe is as good as a studio original.

The flavor that studios fear most, however, is downloading movies stored on Internet Web sites. Once a movie makes it into cyberspace, it's impossible to control where it goes or how

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many times it goes there, essentially stripping the copyright owner of his property.

Last week, Valenti testified in D.C. that studios are embracing digital technology, but they have serious concerns about the increased potential for piracy.

"The hundredth copy of a digitized movie is as pure as the original," he said, "whereas in the analog world, each copy is degraded in quality. With a single keystroke, a pirate can do millions of dollars' worth of damage to the market for a film, even if the pirate doesn't make a nickel himself," the Motion Picture Assn. of America's topper testified.

The 'Net is already frustrating antipiracy cops, scored by the specter of movies whizzing around the Web.

## MPAA gears up

In an effort to combat the growing digital piracy, the MPAA tapped Bill Hunt to the newly created post of chief technology officer, charged with coordinating the group's Internet and optical media antipiracy efforts.

"Bear in mind that we don't have broadband access today, so we don't have many movies on the Internet today," Valenti says. "But by the middle or end of next year, we will have an avalanche."

As a result, Valenti says a wave of high-tech piracy could "dwarf the dollar amounts we lose today."

It should be noted that not everyone shares Valenti's bearish view of the future. Raps for the hardware manufacturers,

testifying at the same House of Representatives hearings last week, attribute the efforts by studios to limit the ease of copying to a desire to extract more money from consumers.

Gary Klein, of the Home Recording Rights Coalition, said Valenti is trying to "take the 'I' out of the play button and make it the pay button."

## A global problem

Like everything with the Internet, the problem is not confined to the U.S. Once a movie is posted on the Web, anyone in the world with a PC can access it.

Current estimates are that some 7 million people worldwide have broadband cable service, a number expected to triple by the end of 2001.

Still, the size of digital movie files online are large and can take from five hours to days to download — as opposed to digital music files, which take mere minutes to copy and listen to. And once viewed, they're often smaller than Post-It Notes.

The quality of the pics are often unwatchable, offering a shaky picture, poor sound and conversations and the rustling of popcorn bags from viewers sitting next to videocam culprits.

And just finding the pics are hard enough. Web sites with the downloadable bootlegs are frequently shut down by Internet service providers only to reappear at a different Web address.

Because of this, the MPAA may currently have nothing to worry about, considering the majority of online film viewers

isn't the general public but scrappy college kids in dorm rooms with free high-speed Internet connections, burning downloadable films onto CDs.

But that will soon change: ■ Amateur pirates on campus, in fact, are the prime source of illegal music on the Web and are leading the charge into movie-posting.



■ Companies like Pixel-on.com are making online video viewable full-screen in TV-quality, upping the interest from Netizens to view online programming.

■ With digital projection hitting theaters, studios will be making more digital prints of their pics. Pirates will be doing anything they can to get their hands on them.

■ Computer retailers this Christmas expect to see a boom in the sale of DVD-ROM-equipped PCs, enabling any DVD disc to be played; that will give would-be pirates easy and cheap access to all the equipment they need to start posting movies on the Web.

Digital camcorder recordings can be uploaded to the 'Net now, as can DVDs not shielded by copy protection. As broadband 'Net access spreads, anyone with a DVD-ROM drive and a modem can "rip" a movie from a DVD or Video-CD, and post it for downloading.

Speaking at an industry forum last month, Columbia TriStar exec VP and proxy of industry consortium the DVD Video Group Paul Culberg notes, "There are 15 million college students in the U.S., and the PC is rapidly becoming their core entertainment device. They certainly know that a DVD-ROM drive can play movies."

New forms of e-commerce, such as online auction sites at Amazon.com and EBay have also given bootleggers access to worldwide markets. Emboldened by the anonymity of auctions, pirates routinely offer illegal dubs of newly released theatrical fare, shipping them anywhere in the world.

Auction sites do not police what is for sale, in part to protect themselves from liability in cases of bootlegging. They do, however, alert studios to potentially stolen items.

Even if bootleg auctions could be shut down, the Internet would still pose a challenge to Hollywood.

Legit product sold online in the U.S. would still quickly find its way overseas, including territories where the pic has not yet been released.

Overseas, the Video CD format is popular in many Asian countries, where a thriving black market in VCD discs has left U.S. distributors gun-shy about bowing the higher-quality DVD format there.

## Asia is a hotbed

Antipiracy sources also note that more sophisticated bootleggers in Asia have begun setting up illegal DVD pressing facilities, particularly in Malaysia, and expect the problem to worsen as more consumers around the world get DVD players.

The reason for the growing hysteria can be blamed on the music biz, which allowed the Internet to be littered with tens of thousands of Web sites that post music tracks for downloading, most unauthorized by copyright owners.

Hollywood's film execs fear a replay of the music problem.

Most DVDs carry copy protection codes, designed to ensure that only legit discs can be played. But, as Valenti says, can't be played on some machines.

Valenti says, "We only have a matter of time before some bootlegger cracks the code."

■ The U.S. Congress passed the Digital Millennium Copyright Act, which makes the circumvention of digital anti-copy systems illegal. But, as Valenti notes, "All the equipment needed to upload a movie on the Internet fits in a laptop computer, and can be done from anywhere in the world."

Until a way to stop pirates can be found, the global release window looks to be closing.

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